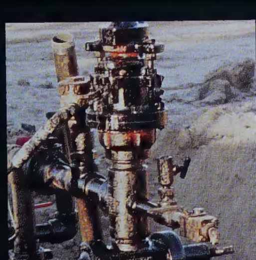
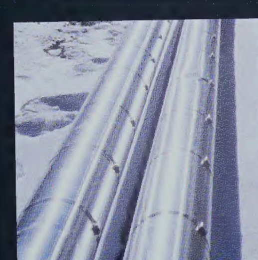
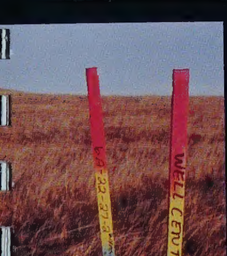
ENERGY NORTH INC.








1999 ANNUAL REPORT

"STEPPING UP" BY SUCCESSFULLY APPLYING GROWTH STRATEGIES

Energy North Inc. is a full cycle exploration and development company combining exploration fundamentals with the latest in advanced technology to generate growth opportunities. Strict adherence to underlying principles, and the ability to adjust strategies to changing economics, has allowed the Company to record production and revenue growth every year since its inception. Energy North has reached a size and capability that allows for a solid base of prospect generation and multiple, concurrent exploration and development projects through which continuous growth will be achieved. The Company is based in Calgary, Alberta and qualifies as a Tier One Issuer on the Canadian Venture Exchange where its common shares are listed for trading under the symbol ENI. An application is in place for listing on the Toronto Stock Exchange.

ANNUAL MEETING OF SHAREHOLDERS

Energy North Inc. is pleased to invite its shareholders and other interested parties to attend its Annual Meeting to be held in the Bonavista Room, Westin Hotel, 320 - 4 Avenue S.W., Calgary, Alberta on Thursday, April 20, 2000 commencing at 4:00 pm. For those shareholders unable to attend the meeting, please complete and return your Form of Proxy.

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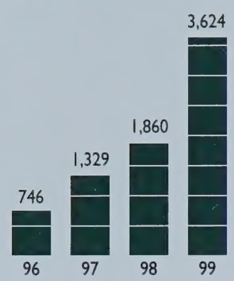
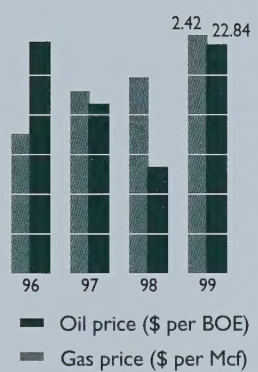
HIGHLIGHTS

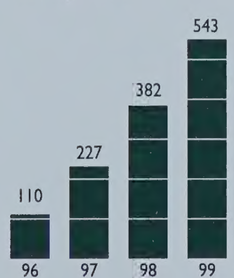
Net Revenue
$ thousands



Pricing

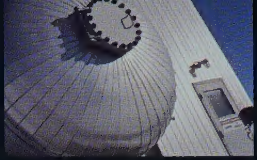


Production Profile
Average BOE/d

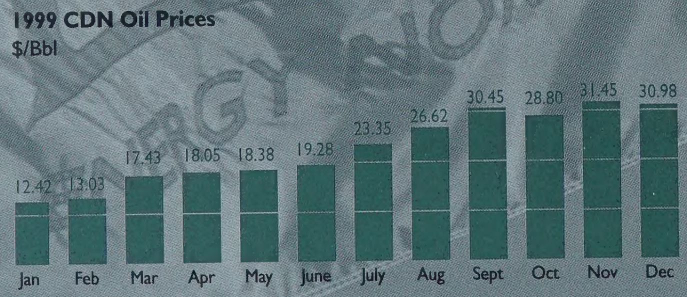


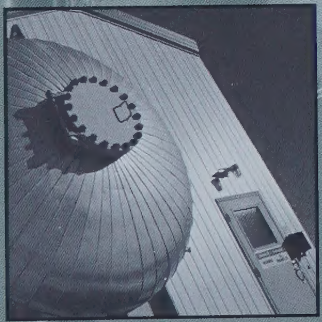
	1999	1998	% Change
FINANCIAL			
Petroleum and Natural Gas Revenue	**$ 3,624,242**	$ 1,860,685	95
Cash Flow from Operations	**1,387,746**	233,463	494
Cash Flow per share	**0.05**	0.01	400
Net Earnings	**52,237**	(2,706,515)	–
Net Earnings per Share	**0.00**	(0.10)	–
Capital Expenditures	**2,024,683**	3,588,187	-44
Total Debt	**3,154,941**	2,539,669	24
Shareholder's Equity	**4,256,025**	3,386,195	26
Common Shares Outstanding (weighted average)	**29,691,667**	27,954,088	6
OPERATIONS			
Daily Average Production			
Crude Oil and NGLs (Bbls per day)	**398**	243	64
Natural Gas (Mcf per day)	**1,453**	1,388	5
Total BOE per day	**543**	382	42
Average Selling Price			
Crude Oil and NGLs ($ per Bbl)	**22.84**	10.94	109
Natural Gas ($ per Mcf)	**2.42**	2.06	17
Proven Plus 50% Probable Reserves			
Crude Oil and NGLs (Bbls)	**1,185,400**	885,800	34
Natural Gas (MMcf)	**2,091.6**	2,957.5	-29
Total BOE	**1,394,560**	1,181,550	18
Present Value of Reserves			
(before taxes, discounted 10%)	**$ 10,461,100**	$ 7,585,400	38

All financial and production statistics throughout this report include equivalent volumes of 109 Boe per day from proceeds of Business Interruption Insurance.



A RECOVERY IN OIL PRICES SHOWS IN DRAMATIC CHANGE THROUGH 1999. DECEMBER PRICES WERE MORE THAN DOUBLE THOSE IN JANUARY.





PRESIDENT'S MESSAGE

I am pleased to provide shareholders with a report on a successful year for Energy North, a year which began with a difficult environment and ended with excellent performance and a strong outlook for 2000 and beyond. Most important, we've stepped up to be a solid, junior oil and gas company, more capable of continuous growth than ever before in our history.

Four key accomplishments capture the successes realized by Energy North in 1999:

- Growth in production, reserves, revenue and cash flow;
- Positive earnings recorded for the first time in our history;
- Significantly strengthened balance sheet; and
- Senior operations expertise added to round out management capability.

At the beginning of 1999, prices were at historic lows and many, including Energy North, did not believe such low levels were sustainable. However, we detailed a plan that would take us through a difficult year, maximizing growth opportunities with minimal capital investment. Our projection of a global increase in the price of oil started to materialize in March and prices have recovered from the lowest level in 15 years to reach almost twice that seen in 1998.

We took the opportunity in early 1999 to establish a very tight capital budget that represented a decrease of 44 percent from 1998. Yet as a reflection of the quality of our plays, this restricted reinvestment generated a 42 percent increase in production rates. As stated in our last year's annual report, we intended to take advantage of opportunities arising in the low oil price environment and were able to make a key acquisition in early 1999 at very low cost.

Another indication of the quality of our opportunities was that we replaced 134 percent of our production at an average finding and development cost of $5.45 per barrel of oil equivalent. The ability to make our assets cash flow-generating is reflected in an increased portion of reserves in the proved, producing category to 67 percent of total reserves compared to 51 percent for 1998. The proven producing category grew by 53 percent year-over-year and the risked reserves, proved plus half of probable, increased by 18 percent.

Our increased production and the recovery in oil prices led to cash flow increasing an astonishing 494 percent and earnings were achieved for the first time.

We are entering fiscal 2000 in a position to step up our activity levels again aided by a strong commodity price environment, a much-improved balance sheet and the financial ability to pursue our strategic growth plan in 2000.

REVIEW OF 1999

Cash flow from operations increased to a record $1,387,746 or $0.05 per share in 1999 from $233,463 or $0.01 per share in 1998. Earnings increased to $52,237 from a loss of ($2,706,515) in 1998.

Our leverage to crude oil prices is evident by looking at first half versus second half revenue, which shows $1.09 million versus $2.26 million and corresponds to a 91 percent increase in oil prices. In 1999, 72% of our income was represented by oil.

Average production rates of 398 barrels of oil per day were up 64 percent from the 243 barrels of oil per day produced in 1998. Natural gas production stayed virtually the same at 1.4 million cubic feet per day, which reflects our focus on increasing oil production in 1999.

Oil prices increased 109 percent to average $22.84 per barrel in 1999 compared with $10.94 per barrel in 1998. The magnitude of the commodity price change reflects the delicate balance of global crude oil supply and demand, which now appears to be in balance suggesting sustainable strong pricing for the future.

Energy North's 1999 capital expenditures were 44 percent lower than in 1998 at $2.02 million. This decrease reflected management's strategy to defer capital spending in order to decrease our working capital deficiency, strengthen the balance sheet and improve our debt-to-cash flow ratio. Our controlled capital expenditure program permitted a 48 percent decrease in working capital deficiency at year-end. The Company expects debt-to-cash flow for 2000 of 1:1.5 or less, using average pricing of US $25.00 per barrel of oil and CDN $2.50 for a thousand cubic feet of natural gas.

A very tragic accident occurred this year at our Sibbald, Alberta battery, which resulted in the death of one of our field

operators, Chad Hogan. The accident was fully investigated by Province of Alberta Safety Officials and the cause was identified as a steam related explosion in the oil treating module. Energy North has and will continue to make safety a top priority.

MANAGING GROWTH

The Company was fortunate to be able to announce the appointment of another key individual to our management team. To improve our ability to manage increasing volumes of production and to fully exploit our optimization and reservoir management opportunities, Mr. Peter Pelensky, P. Eng. has been appointed as Vice President of Engineering. Mr. Pelensky's background and expertise in oil and gas operations will have a positive impact on our ability to manage growth in 2000 and beyond. We now have a senior officer responsible for the management and growth of each of the exploration, engineering and finance areas. The Company has reached a size and critical mass that enables it to look at larger projects, both in exploration and in acquisitions and has the staffing and expertise in place to do so quickly and efficiently.

Along with the added expertise, we have improved business systems for short term forecasting and long term strategic planning. As well, we have implemented reclamation and site rehabilitation programs designed to minimize environmental impact from our activities. This enhanced ability to manage growth is evident in 1999 performance, which in turn, is directly attributable to the right combination of qualified people supporting our exploration, development and financial initiatives.

2000 ACTIVITY

Our forecast 2000 activity calls for capital expenditures of approximately $4.4 million, which will be financed through cash flow and judicious use of available lines of credit. The Company expects to invest $460,000 in land and seismic on new projects, $2,600,000 on exploration and development drilling and $750,000 on well work-overs and production optimization. A $550,000 contingency fund will finance development activity on successful projects. This capital program will enable us to drill 14 gross (9.7 net) wells consisting of five exploration and nine development wells.

We will continue to operate in our three core areas and create new core areas where we uncover good opportunities.

OBJECTIVES

Our adherence to corporate strategies, which support long-term shareholder value addition, has allowed the Company to achieve production and revenue growth every year since inception. We will continue to follow these proven strategies in 2000.

We have reached a size where internally generated projects should allow us to achieve the 1,000 barrel of oil equivalent per day threshold later this year. We have a focused portfolio of projects both development and exploratory which present growth opportunities for 2000 and beyond, all of which have the potential to significantly increase shareholder value.

ACKNOWLEDGEMENTS

First and foremost, we express our condolences to the family of Chad Hogan. All of us at Energy North will miss his enthusiasm and work ethic.

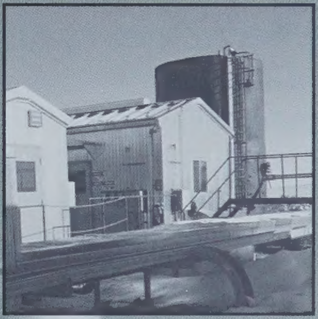
I take this opportunity to thank our employees and consultants for their dedication and exemplary performance in 1999 and have every expectation they will perform the same way in the current year. I appreciate the sound advice and direction received from our Directors and look forward to continued support from our shareholders.

Richard N. Edgar
President and Chief Executive Officer

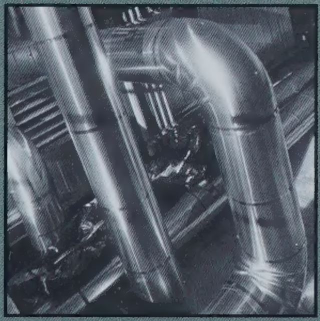
February 21, 2000

ACTIVITY AND OPERATIONS

CORPORATE STRATEGY



Energy North has developed a corporate strategy that we have presented in each of our last three annual reports. We continue to adhere to these strategies because we believe they will create growth opportunities and enhance shareholder value. This year we have added a complementary acquisition strategy. Our strategies remain the cornerstone of our business approach:



- **Grow through drilling**
- **Concentration on technology-driven, moderate risk projects**
- **Focus on specific play types**
- **High priority placed on rapid cash flow generation**
- **Management of financial risk through appropriate working interests**
- **Balance of low risk development plays with high impact exploration prospects**
- **Participate in acquisitions when we develop suitable opportunities**

REVIEW OF ACTIVITY

In the dramatically changing environment in which Energy North operates, it is critical to clearly articulate a vision, supported by firmly held principles. Just as important is the need to distinguish between unchanging values, regardless of external influences and those strategies, which can be adapted to take advantage of new and different opportunities. Energy North's activity in 1999 illustrates this distinction when we redirected operating plans in order to respond to a weak price environment and then elected to improve our balance sheet strength as prices improved.

Much of our activity is a direct and consistent continuation along the path we began three years ago. Some of our activity was successfully adapted, continuing to support our fundamental approach, yet showing our ability to adapt and respond appropriately, to external conditions.

OPERATIONS SUMMARY

The plan for 1999 was to focus on increasing both oil and natural gas production. The outlook for increased oil prices through the year led the Company to focus on crude oil, in terms of acquisitions, and production enhancement, while also augmenting oil and natural gas prospects in our portfolio.

- Overall daily production rose to an average of 543 BOE per day from 382 BOE per day, a 42 percent increase over 1998 with the production mix of 72/28 oil/gas in 1999.
- Oil production grew from 243 Bbls per day in 1998 to 398 Bbls per day in 1999, a 64 percent increase.
- Reserves volumes of 213,000 BOE, proved and probable, were added.
- Prospect generation continued in all the Company activity areas and resulted in a 300 percent increase in the undeveloped land base.
- 61 kilometers of new seismic were shot and 99 kilometers were purchased to evaluate exploration prospects.
- Sibbald battery was repaired and resumed production in early December.

PRODUCTION AND RESERVES GROWTH

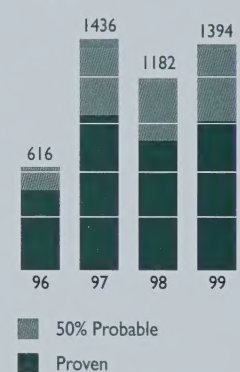
PRODUCTION

For Energy North, a clearly defined and implemented business plan has been invaluable for stepping up production, reserves and cash flow. Average daily production increased 42 percent from 382 BOE per day in 1998 to 543 BOE per day in 1999. Significant increases in daily production and revenues occurred during 1999, at the same time that new opportunities were generated for future growth.

RESERVES

During 1999, the Company concentrated on increasing its reserve base more by acquisition and production enhancement of its oil properties rather than by drilling, and this is evident in the new reserve values. The Company's reserves increased 18 percent to 1.4 million BOE on a barrel of oil equivalent basis, using a 10 Mcf to one barrel of oil ratio and proven plus 50 percent of probable reserves. The reserve value increased over 1998 with a proven plus 50 percent probable value discounted at 15% to $9.2 million compared to $6.5 million in 1998. Our reserves are assessed by NRG Engineering Ltd. The process involves reviewing 95 percent of the Company's properties with an internal assessment completed on the remainder.

Reserve Growth
MBOE



RESERVES SUMMARY

	Crude Oil & NGLs (MBls)	Natural Gas (MMcf)	Equivalent (MBOE)
Proven Producing	833.0	997.0	932.7
Proven Non Producing	21.3	791.9	100.5
Total Proven	854.3	1,788.9	1,033.2
Probable	662.1	605.4	722.6
Proven Plus Probable	1,516.4	2,394.3	1,755.8
Proven Plus 50% Probable	1,185.4	2,091.6	1,394.5

RESERVES VALUE

	Discounted (%)			
	0	10	15	20
Present Value of Future Cash Flows (Before Taxes) (thousands)				
Proven Producing	$ 10,391	$ 7,912	$ 7,121	$ 6,501
Proven Non Producing	1,349	776	615	500
Total Proven	11,740	8,688	7,736	7,001
Probable	5,643	3,547	2,939	2,479
Proven Plus Probable	17,383	12,235	10,675	9,480
Proven Plus 50% Probable	14,562	10,461	9,206	8,240

RESERVES LIFE

The Reserve Life Index is a measure of the duration of expected future production obtained by dividing year-end reserves by average production. Based on proven reserves and production volumes, Energy North's reserve life index at the end of 1999 was 5.21 years.

RESERVE LIFE INDEX

	1999		1998	
(Years)	**Proven**	**Proven & Probable**	Proven	Proven & Probable
Crude Oil & NGLs	**5.88**	**10.44**	6.30	13.68
Natural Gas	**3.38**	**4.52**	4.56	7.14
Equivalent	**5.21**	**8.86**	5.65	11.30

1999 DRILLING ACTIVITY

The Company focus for 1999, due to low pricing early in the year and lack of new equity, was to concentrate on acquisitions and production enhancement of existing properties in order to increase daily production and reserves. As a consequence only two (1.33 net) exploratory wells were drilled during the year. Both these were dry holes, but as is the nature of exploration, these dry holes provided the Company with useful information from which new prospects were generated. In addition both wells validated lands and will lead to future drilling.

ACQUISITION AND FINDING COSTS

The Company spent capital on acquisitions, production optimization and to develop new prospects for future years resulting in less capital spent on drilling. Developing prospects to the drilling stage requires capital and time to be spent on front-end geophysics, land and other costs prior to generating drillable prospects. For smaller companies, the prospect developing activities can occur in one year while the drilling occurs in another. Therefore, one year's finding costs can often be skewed depending on the stage of the cycle while another year might yield disproportionately high reserve additions that reflect more than one year's investment. Based on proven plus 50 percent of probable reserves, the 1999 reserve addition costs were $5.45 per barrel of oil equivalent. The more meaningful three-year Company average is $5.90 per barrel and well below industry averages.

ACQUISITION AND FINDING COSTS

	1999	1998	1997	3 Year Average
Drilling and Development Expense	**$ 3,049,218**	$ 3,642,765	$ 4,809,980	$ 3,833,988
Acquisitions, Disposals and Insurance	**(1,024,535)**	(187,888)	(243,338)	(485,254)
Total	**$ 2,024,683**	$ 3,454,877	$ 4,566,642	$ 3,348,734
Reserve Additions	**213,010**	290,000	819,900	440,970
Production (1999)	**158,487**	139,486	83,081	127,018
Total	**371,497**	429,486	902,981	567,988
Finding and Acquisition Costs per BOE	**$ 5.45**	$ 8.04	$ 5.06	$ 5.90

PROJECT REVIEW

Energy North concentrates its activity in three geographic areas, each with its own distinct attributes. The Eastern Alberta Region is Energy North's largest producing area with exploration and development success achieved at Sibbald, Leela, Horseshoe and Coronation. The West Central Alberta region is primarily an oil and liquids-rich natural gas area with high reward prospect potential, which was evaluated by drilling in the first quarter of 2000. The Fairview area offers shallow to medium depth, multi-zone natural gas reserves which will continue to be a focal point for the Company in 2000.

EASTERN ALBERTA REGION

SIBBALD

The 100-percent-owned Sibbald property continued to be the Company's largest area of production during 1999, with production at the end of the year exceeding 300 barrels per day of oil and 50 Mcf per day of gas. Energy North currently has a 100 percent interest in 2,560 acres of land. This property is situated in eastern Alberta along a Cretaceous sand trend where a number of very prolific oil pool discoveries were made over the past five years. The Energy North production comes from a south west extension to the Sibbald Upper Mannville "C" pool, which has produced a cumulative total of 8.0 million barrels of oil. The volume of produced oil is measured and an equivalent volume is replaced with water. This water along with produced water is injected back into the productive formation. This process insures very little reservoir energy is lost and as a result the pool is expected to recover up to 28 percent of the oil in place, compared to 10 percent recovery under primary production practice.

Six wells are currently producing on the property. Production enhancement and electrification of the existing wells was completed during 1999. Progressive cavity high lift screw pumps are now installed on all the producing wells, maximizing production rates.

The Company has surveyed four potential development locations on this property that are expected to be drilled during the second and third quarters of 2000. A Belly River gas development program of two wells will also be initiated during the first or second quarter.

Production enhancement and a new fully operational processing facility have both improved operating efficiency and lowered operating costs for the property.

LEELA/HORSESHOE

This is a new production and exploration area that was acquired in early 1999. The Leela pool produces oil from the Basal Cretaceous and has significant upside potential through production optimization methods. There are currently eighteen (18) wells producing from the Dina formation and two wells (2) producing from the Cummings formation. Twenty one (21) wells are currently shut-in. Energy North has a facility upgrade and a production optimization schedule in place for re-activation of the shut in wells and is modeling the Cummings reservoir for potential production enhancement through water flood.

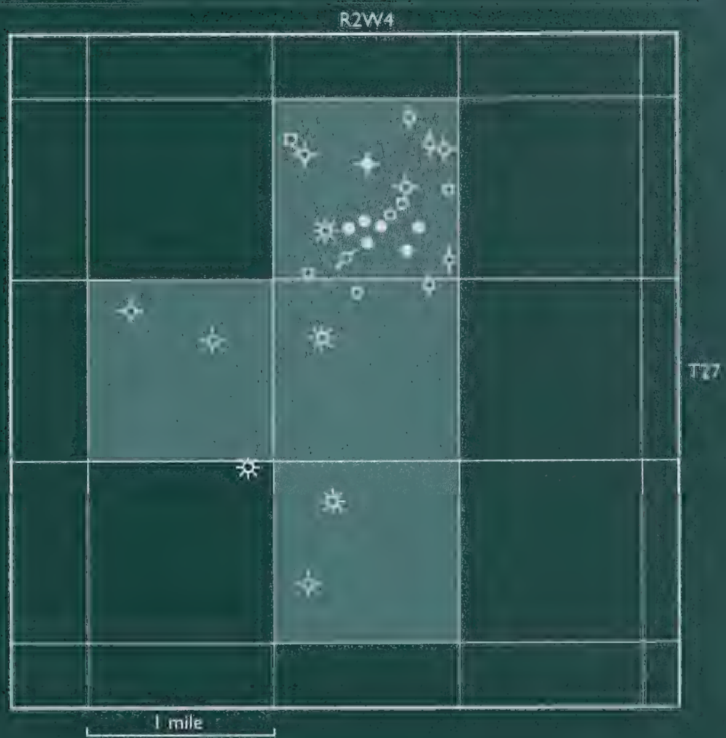
The Horseshoe area is a complimentary property to Leela and is currently producing from three (3) Dina wells. This pool was also acquired early last year and was put on production in the fourth quarter of 1999.

Three adjacent sections of new exploration lands were acquired in December to explore for similar pools. The two properties combined are currently producing 190 barrels of crude oil with the potential to be 300 barrels during the year.

Energy North has also completed an environmental assessment of the Leela property and in conjunction with the land owner has initiated site restoration and cleanup on the property. This operation involves groundwater flow containment for decontamination as well as soil remediation.

LEELA

SIBBALD



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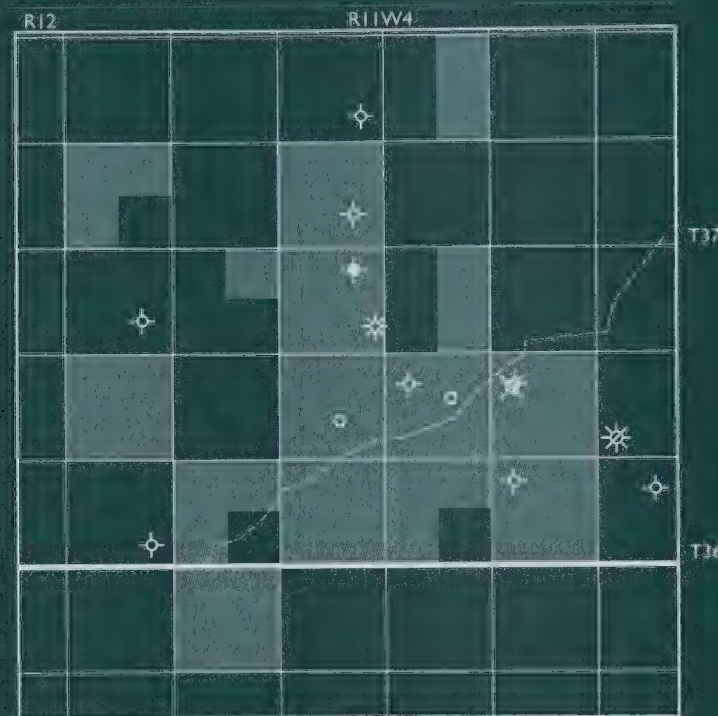
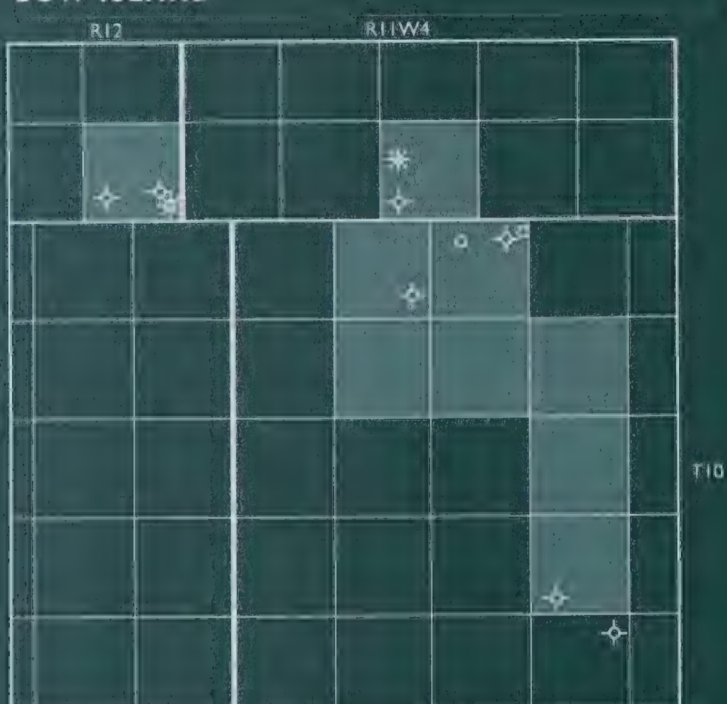
- Abandoned oil
- Gas well
- Location
- Dryhole
- Suspended oil well

CORONATION



BOW ISLAND



- Oil well
- Abandoned oil
- Gas well
- Location
- Dryhole
- Suspended oil well

CORONATION

The Coronation prospect that was developed in 1997 will evolve into cash flow for the Company during 2000. A pipeline is currently being surveyed with a production start expected in the second quarter. A 26 kilometer seismic program was conducted and 3,840 acres of new lands were acquired through crown sales and farm-ins during 1999. A follow up well to the discovery well will be drilled in the first quarter. Energy North now holds varying working interests in 8,000 acres of land on this prospect.

BOW ISLAND

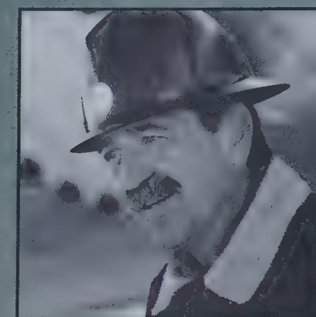
This is a new exploration area that the Company developed during 1999. Energy North holds working interests from 33.33 percent to 50 percent in nine sections of land. This is a dual zone gas and oil prospect that is offsetting several very prolific oil pools. Fifty-two kilometers of 2D seismic were acquired to evaluate the first exploratory drilling location. This will be drilled during the first quarter with 3D seismic and further drilling to follow if successful.

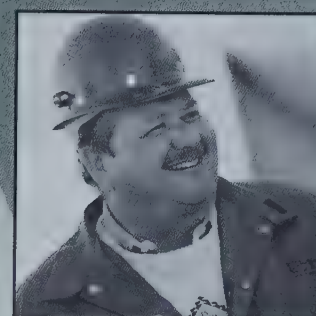
FAIRVIEW REGION

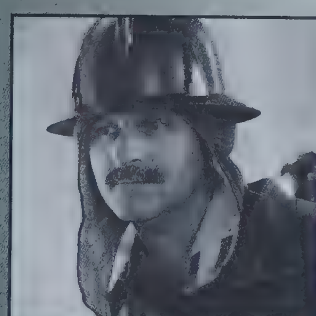
The Fairview area is a gas exploration area where the Company continued to be active in 1999. Three highly prospective gas zones have been identified at depths of less than 1,000 meters. This type of play fits in with the corporate goal for lower risk projects, allowing for higher working interests and, therefore, larger reward potential. A 500 kilometer, 2D seismic base has been acquired along with additional 2D seismic data that was shot and purchased by the Company. A joint venture was established with a major pension fund to buy land. The joint venture terms allow Energy North to share equally in the land interests by shooting seismic and drilling wells. This gives the Company the most effective use of tax dollars and exposure to a greater number of prospects. At the end of 1999, Energy North had accumulated varied working interests in 26,240 gross acres of lands. The Company purchased an additional 40 kilometers of 2D seismic over its land holdings in 1999. The first exploratory well was drilled in this area in mid 1999, and while it was unsuccessful, the Company continues to believe the Fairview Region has the potential to be a large growth area for the Company in natural gas production and reserves.

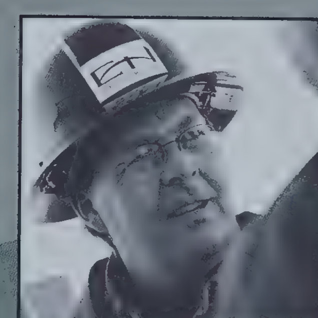
WEST CENTRAL ALBERTA REGION

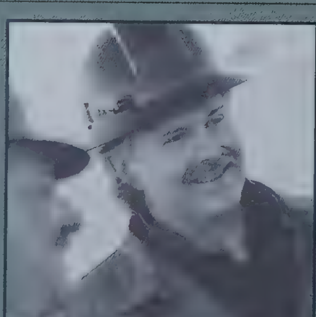
The West Central area is located west of Edmonton in the Whitecourt area in a region characterized as multi zone, medium depth drilling and prospective for liquids-rich natural gas. Underutilized gas processing facilities and pipelines allow new gas discoveries to be brought onstream quickly. Geological mapping and seismic modeling continued during 1999. The Company undertook a 36 kilometer seismic program over Crown lands to follow up on geologic leads and a final interpretation led to the Company now controlling a 50 percent interest in 9.5 sections of land. Energy North participated to a 50 percent interest in a 1,900 metre exploratory well that was drilled and cased in January 2000. Further land acquisition and drilling are planned to develop this gas discovery during the remainder of the year.

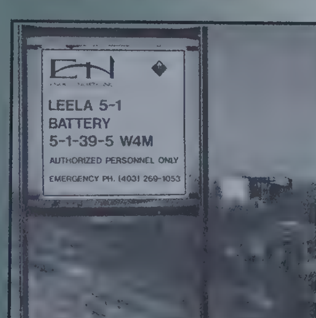








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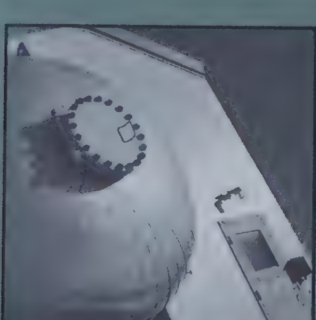
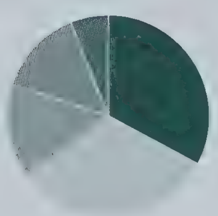


Management's discussion and analysis should be read in conjunction with the financial statements and notes contained in this annual report. The following discussion contains certain assumptions about future events and actual results may vary significantly from these assumptions.

The benefits of establishing and following a clear strategic plan were evident in 1999 when Energy North continued its growth pattern. Revenue increased by $1.8 million for the year, a 95 percent increase over 1998. Cash flow of $1.4 million, an increase from $.2 million in 1998, reflected higher production levels and commodity price that were significantly higher by the end of the year. Net earnings, after depreciation and depletion, were recorded at $52,237.

Just as important as achieving growth, Energy North continued to put in place the elements needed to take the Company to the next level with multiple growth opportunities, and the expertise and financial position to continue its performance.

Netbacks
per BOE



A COST REDUCTION EFFORT MAXIMIZED THE GAIN FROM IMPROVED PRICES.

FLOW OF FUNDS PER BOE

Funds flow in 1999 was $1.4 million, an increase of 494 percent from the $.2 million in the year prior. The accompanying chart clearly demonstrates, on a year over year basis, the effect changing oil prices have on cash flow.

Although commodity prices are a significant factor, funds flow was also improved by internal activities such as lowering operating costs. Energy North will continue to focus on funds flow per BOE as perhaps the most important measure of a Company's efficiency. As the Company's production base expands, the operating and administrative costs per unit will decrease, ensuring that funds flow per unit are optimized.

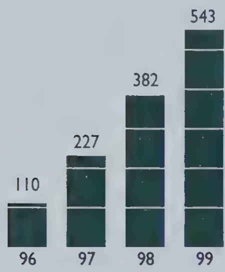
BOE ANALYSIS

	1999	1998	1997
Oil and Gas Revenue	**$ 23.21**	$ 14.59	$ 17.96
Royalties (net of ARTC)	**(3.59)**	(1.67)	(2.19)
Production Cost	**(7.39)**	(7.57)	(8.12)
Netback from operations	**12.23**	5.35	7.65
General and Administrative	**(3.21)**	(2.81)	(4.33)
Interest	**(1.36)**	(1.29)	–
Flow of Funds per BOE	**$ 7.66**	$ 1.25	$ 3.32

NETBACKS

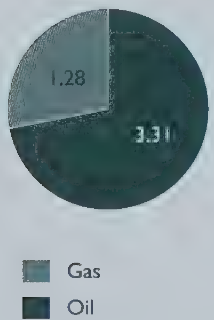
	1999		1998		1997	
	Crude Oil & Liquids (Bbls)	Natural Gas (Mcf)	Crude Oil & Liquids (Bbls)	Natural Gas (Mcf)	Crude Oil & Liquids (Bbls)	Natural Gas (Mcf)
Production						
Daily	**398**	**1,453**	243	1,388	153	743
Total	**145,256**	**530,330**	88,792	506,630	55,956	271,236
Revenues	**$ 3,318,047**	**$1,285,940**	$ 971,212	$ 1,043,505	$ 952,371	$ 510,955
Royalties (net of ARTC)	**449,731**	**262,525**	109,076	123,656	98,984	82,820
Production cost	**1,165,652**	**299,656**	637,548	417,554	504,173	171,893
Operating Netback	**$ 1,702,664**	**$ 723,759**	$ 224,588	$ 502,295	$ 349,214	$ 256,242

Production Profile
Average BOE/d



EFFICIENCY MEASURES AND DEVELOPMENT ACTIVITY INCREASED PRODUCTION THROUGH THE YEAR.

Revenue
$ millions



PRODUCTION REVENUE AND PRICING

Production growth was a highlight of 1999 with a 42 percent increase to an average of 543 barrels of oil equivalent (BOE) per day compared to 382 BOE per day in 1998. The average price received increased to $23.21 per BOE, representing an improvement of 59 percent compared to 1998. As a result of increased production and higher prices, revenue of $3.6 million was realized in 1999, an increase of 95 percent.

While crude oil continues to be the most significant portion of Energy North's production base, average natural gas volumes increased slightly in 1999 to 1.4 million cubic feet per day. Generally, the strategic advantage of emphasizing crude oil over natural gas is the shorter lead-time required for crude oil between drilling and selling the product. In 1999, Energy North spent time and capital on immediate opportunities in natural gas, and management believes over the long-term the strategic advantage lies with a balanced portfolio of crude oil and natural gas production. Average oil prices increased to $22.84 per barrel for the year, an increase of 109 percent from 1998 and steadily increasing during the latter half of the year. For 1999, natural gas prices were $2.42 per thousand cubic feet representing an increase of 17 percent over 1998.

Energy North's approach to marketing has not changed compared to 1998. The majority of the Company's oil production is sold through local markets. Three hundred barrels per day is trucked and sold through the Bow River system, while an additional two hundred barrels per day is sold at Hardisty into the medium sweet oil stream. Gas production is sold approximately 25 percent into the Alberta Spot market and 75 percent into a variety of blended netback contracts through aggregators.

Production expenses in 1999 decreased two percent to $7.39 per BOE. We continue to make operational improvements designed to decrease our production costs and as new lower cost production is added we will dispose of high operating cost properties.

The Leela property purchased in March of 1999, incurred additional variable costs, which were alleviated in the fourth quarter by using an alternate water disposal system. Production volumes were also down while awaiting price recoveries, before incurring discretionary maintenance expenses.

The Sibbald property operating costs were recorded at $5.42 per barrel during 1999. This is somewhat anomalous given the project was suspended for nearly five months while the battery was repaired. It is anticipated that because the facility was repaired by an insurance claim and upgraded by incorporating operating efficiencies, the operating costs will be at the $4.50 per barrel level, significantly improving the overall corporate average operating costs.

As the Company continues to grow, and additional properties are developed, operating costs will decline per unit of production. Recent initiatives such as setting production and operating cost targets with accountability being equally shared between the field and head office levels will aid in the growth of daily production and cash flow.

ROYALTIES

Royalties (net of ARTC) increased from $1.67 per BOE in 1998 to $3.59 per BOE in 1999, a 115% increase. As a percentage of revenue, royalties increased from 11% in 1998 to 15% in 1999. This increase was due to

a combination of higher prices for gas (i.e.: the royalty rate increases as prices increase) and increased production of oil (i.e.: the royalty rate increases as allowable production volumes increase). Allowable production at Sibbald was increased because of the Company's Good Production Practice.

GENERAL AND ADMINISTRATIVE EXPENSES

In 1999, general and administrative costs increased to average $3.21 per BOE, an increase of 14 percent from the $2.81 per BOE in the year prior. This increase is due to adding more office space in late 1998 and adding a Chief Financial Officer in January 1999.

INTEREST

Interest expense increased to $270,448 in 1999 from $179,593 in 1998. The Company has a $3,425,000 revolving production loan facility with the Alberta Treasury Branch. Interest is calculated on the daily outstanding principal amount at prime plus 0.75 percent per annum, with interest payable monthly. The Company has a $917,444 variable rate term loan facility with the Alberta Treasury Branch. Interest is calculated at prime plus 1.50 percent per annum.

LONG-TERM DEBT

During 1999 the Company added $325,000 to its available revolving line of credit and a $1,000,000 fixed term facility, secured by the Sibbald Battery. Although the Company is required to make monthly blended payments of $20,330 on the fixed term facility, the Company's lender agreed to payments of interest only during three of the months that the repairs to the Sibbald Battery were being carried out. Notwithstanding this interest only period the principal balance of the fixed term facility was repaid by approximately $82,000. Through a combination of the increased borrowing capacity and 1999 cash flow, Energy North was able to fund approximately $2 million of various capital expenditures and to reduce its working capital deficiency by approximately $890,000. It is Management's intention that Energy North's debt level will always be less than 1.5 times future years cash flows. For the year 2000 Energy North will manage its debt level and adjust its capital-spending program in response to cash flow changes, which result from production and price changes.

WORKING CAPITAL DEFICIENCY

As at December 31, 1999 the Company's working capital deficiency was reduced by 48 percent to $712,154. The ratio of current assets to current liabilities is 1 to 1.47. This ratio represents a marked improvement over the deficiency at the 1998 year-end, which shows a deficiency of $1,493,399 and a ratio of current assets to current liabilities of 1 to 3.88.

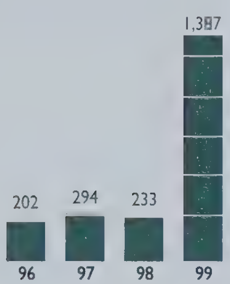
INCOME TAXES & TAX POOLS

The Company's activity in 1999 had the benefit of generating substantial tax pools with which to offset future income tax obligations. A total of $8.2 million in tax pools were available at the end of 1999, up from $7.2 million at the end of 1998.

TYPE OF POOLS

	1999	1998	1997
Canadian Exploration Expense	**$ 1,885,327**	$ 702,893	$ 821,000
Canadian Development Expense	**1,060,557**	1,269,113	1,206,000
Canadian Oil & Gas Property Expense	**942,486**	730,043	621,000
Loss Carry Forwards	**–**	277,000	100,000
Class 41	**3,599,765**	3,938,513	2,439,000
Other	**707,866**	245,631	646,000
Total	**$ 8,196,001**	$ 7,163,193	$ 5,833,000

Cash Flow
$ thousands



DEPLETION AND DEPRECIATION

Depletion and depreciation expenses, under the full cost accounting method, were $1,312,050 compared to $2,806,668 in 1998. In 1998 a ceiling test write down was required whereas in 1999, the value of reserves exceeded the asset base by $6.9 million. No ceiling test write-down was required.

SOURCE AND USE OF FUNDS

CASH FLOW GROWTH REFLECTS RECORD PRODUCTION AND PRICE IMPROVEMENTS.

CAPITAL SPENDING AND SOURCES

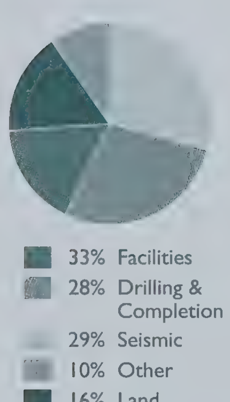
Energy North's capital spending program was $2.0 million in 1999, a reduction in response to the early 1999 price environment and lack of access to equity markets sustained throughout the year. Energy North reviewed its portfolio and adjusted its program to concentrate on acquisitions and production enhancement of existing reserves. This approach was successful and resulted in significant additions of oil production and reserves.

The Company's capital spending in production facilities and to upgrade wells of $1.6 million was offset by insurance payments of $1.2 million to repair the Sibbald Battery. The difference of approximately $0.4 million was spent on an assortment of capital projects either increasing the deliverability of existing wells, increasing operating efficiencies of facilities or adding additional disposal capacity.

An objective of establishing a line of credit to provide flexibility for decision-making was identified in 1997 and a revolving line of credit was established. This credit line was renegotiated in 1999 to stand at $3.42 million. In the fourth quarter of 1998, a further credit facility of $1 million was negotiated and collateralized by our mid stream assets at Sibbald. Both of these credit facilities are with the Alberta Treasury Branch.

For 2000 our capital program will keep pace with cash flow and available credit lines and is anticipated to be approximately $4.3 million. Higher commodity prices, increases in production and non-producing property sales may generate additional funds, which would enhance our capital spending ability. With the attention to prospect generation in 1999, we have an inventory of excellent projects where additional capital could be invested.

Capital Expenditures
$ millions



CAPITAL SPENDING

	1999	1998
Land	$ 328,950	$ 234,517
Seismic	593,645	822,042
Drilling & Completion	568,680	899,191
Production Facilities	1,539,555	1,566,169
Capital Assets	68,388	100,847
Property Acquisitions	125,949	20,000
Property Dispositions	(1,200,484)	(187,889)
Other	–	133,310
Total	$ 2,024,683	$ 3,588,187

CAPITAL SOURCES

	1999	1998
Cash Flow	$ 1,387,746	$ 233,463
Working Capital	(605,050)	(1,493,399)
Bank Facility	4,342,444	4,100,000
Equity	4,256,025	3,386,195
Debt	(3,154,941)	(2,539,669)
Total	$ 6,226,224	$ 3,686,590

BUSINESS PROSPECTS FOR 2000

In the current environment we will look for value in both oil and natural gas projects, as both commodities are expected to continue to show strong prices through 2000. Drilling of both exploration and development wells will be augmented by production optimization activity on existing properties. With our increased ability to manage growth, we will dedicate considerable effort in generating acquisition opportunities and will utilize the leverage available from our strong balance sheet.

Although commodity prices have risen and the fundamentals for the upstream oil and gas business have turned decidedly positive, those economics are not being recognized by the equity markets, which appear to be distracted by opportunities in other sectors. Without access to capital, we do not expect to see a rise in domestic or global activity and this coupled with the inexorable downward pull of natural declines in production will continue to support strong commodity pricing. As demand for heavier gravity oil grows with the spring and summer paving season and the demand for gasoline reaches its annual summer high, we expect the oil quality differential to narrow and pricing for our heavy quality oil to improve. At higher prices we eventually expect to see a supply response from both OPEC and non-OPEC producers followed by some moderation in pricing. We do not, however, expect to see much moderation in fiscal year 2000.

Even with our bullish position we will time our capital expenditures to match cash flow and available credit and therefore expect to be active throughout the year with a prudently managed growth program.

BUSINESS RISKS

Exploration, development, production, acquisition and marketing of crude oil and natural gas are subject to a number of business risks. Commodity pricing fluctuations affect the ability to be profitable, the ability to generate capital for reinvestment, the comfort financial institutions have in lending money to production companies and the interest level of the market which in turn influences a company's value and its ability to raise capital. In 1998 and early 1999, the low crude oil price is showing an impact in all of these risk areas. The companies who maintain a sound financial condition so that they can maintain some level of activity, will be able to withstand the commodity price pressure.

Energy North is adhering to its strategies, which are aimed at maintaining a sound financial condition in order to withstand low points in the cycle and be positioned to reap the benefit of efficient growth, which comes from better prices and lower operating costs.

Dry exploration and development wells are risks that all companies face. Mitigating the risk of not encountering economic quantities of oil or gas reserves is achieved through the prudent application of available technology and by building on experience with specific geographic areas and geologic ages. Energy North is a strong proponent of making use of available technology before making major capital investments and is also focusing its activities in areas where experience is additive so that risks can be reduced and the results improved.

Production infrastructure failures and natural gas transportation curtailments are the risks faced in getting a product to market. Energy North invests in its own equipment, where working interests warrant, and works with excellent partners and marketers to manage these risks.

Changing government fiscal policy and regulations all pose a threat. By remaining within Alberta, Energy North is in the province that is most affected by the economic well being of the oil and gas production sector. The government policies show the importance of this relationship. Alberta continues to provide a favorable operating environment.

UNCERTAINTY DUE TO YEAR 2000 ISSUE

The Year 2000 Issue arises as many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

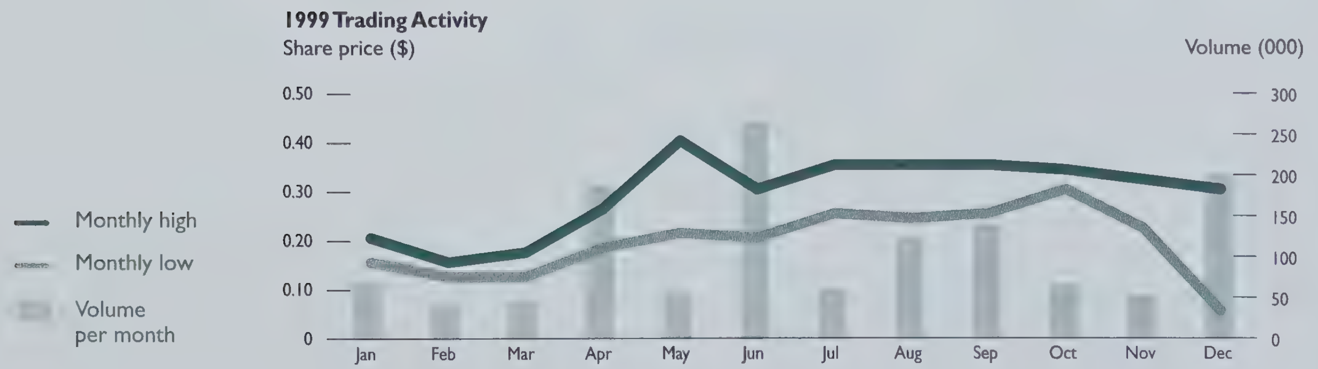
SUPPLEMENTARY INFORMATION

NET ASSET VALUE

	10% NPV P + 1/2 P	10% NPV P + P	15% NPV P + 1/2 P	15% NPV P + P
Reserves	$ 10,461,100	$ 12,234,800	$ 9,205,600	$ 10,675,200
Undeveloped Land	639,614	639,614	639,614	639,614
Working Capital and Debt	(3,759,991)	(3,759,991)	(3,759,991)	(3,759,991)
Fixed Assets	3,757,700	3,757,700	3,757,700	3,757,700
Exercise of Stock Options	1,368,365	1,368,365	1,368,365	1,368,365
Total	$ 12,466,788	$ 14,240,488	$ 11,211,288	$ 12,680,888
Basic Common Shares	33,022,677	33,022,677	33,022,677	33,022,677
Fully Diluted Common Shares	36,402,002	36,402,002	36,402,002	36,402,002
NAV per Share Basic	$ 0.38	$ 0.43	$ 0.34	$ 0.38
NAV per Share Fully Diluted	$ 0.34	$ 0.39	$ 0.31	$ 0.35
NAV per Share Property, Plant and Equipment	$ 0.07	$ 0.07	$ 0.07	$ 0.07
NAV per Share Basic less Property, Plant and Equipment	$ 0.31	$ 0.36	$ 0.27	$ 0.31
NAV per Share Fully Diluted less Property, Plant and Equipment	$ 0.27	$ 0.32	$ 0.24	$ 0.28

SHARE TRADING PROFILE

Market dynamics through 1999 have been very hard on the oil and gas production sector. Negative investor sentiment is expected to continue until recent commodity price increases are shown to be sustainable. Energy North's trading levels reflected this trend and showed relatively low liquidity with a total of 1,303,525 shares traded through the year. The stock traded in a range between $0.05 and $0.35. The low side of the trading range represents an undervalued opportunity for the astute investor who follows trends of increasing production levels and strong fundamentals.



MANAGEMENT'S REPORT

The accompanying financial statements of Energy North Inc. and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

Management in accordance with generally accepted accounting principles has prepared the financial statements and where alternative accounting methods exist, management has chosen those it deems most appropriate in the circumstances.

Financial statements are not precise since they include certain amounts based on estimates and judgments and where applicable such amounts have been determined on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Management has prepared the financial information presented elsewhere in this annual report and has ensured that it is consistent with that in the financial statements.

The Company maintains systems of internal accounting and administrative controls, consistent with reasonable cost, which are designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee, which includes two non-management directors.

Buchanan Barry & Co., the external auditors, has audited the financial statements, in accordance with generally accepted auditing standards on behalf of the shareholders. Buchanan Barry & Co. has full and free access to the Audit Committee.

Morton H. Wyne

Richard N. Edgar,
President and Chief Executive Officer

Morton H. Wyne,
Director

AUDITORS' REPORT

To the Shareholders of
Energy North Inc.

We have audited the balance sheets of Energy North Inc. as at December 31, 1999 and December 31, 1998 and the statements of income and deficit and statements of cash flow for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and the changes in cash flow for the years then ended in accordance with generally accepted accounting principles.

Buchanan Barry & Co

Calgary, Alberta
February 8, 2000

Buchanan, Barry & Co.
Chartered Accountants

BALANCE SHEETS

AS AT DECEMBER 31		1999		1998
ASSETS				
Current				
Accounts receivable(note 3)	$	**1,553,551**	$	434,113
Prepaid expenses		**102,955**		84,594
		1,656,506		518,707
Property, plant and equipment (note 4)		**8,341,557**		7,550,258
	$	**9,998,063**	$	8,068,965
LIABILITIES				
Current				
Accounts payable and accrued liabilities (note 3)	$	**2,261,556**	$	2,012,106
Current portion of long term debt		**176,195**		–
		2,437,751		2,012,106
Future income tax (note 8)		**115,881**		–
Long term debt (note 5)		**2,978,746**		2,539,669
Provision for future site restoration		**209,660**		130,995
		5,742,038		4,682,770
SHAREHOLDERS' EQUITY				
Share capital (note 6)		**7,249,307**		6,303,041
Deficit		**(2,993,282)**		(2,916,846)
		4,256,025		3,386,195
	$	**9,998,063**	$	8,068,965

Approved by the Board

Morton H. Wyne

R.N. Edgar

M.H.Wyne

STATEMENTS OF EARNINGS (LOSS) AND DEFICIT

YEARS ENDED DECEMBER 31	1999	1998
Revenue		
Petroleum and natural gas	$ 3,516,936	$ 2,034,206
Royalties (net of ARTC)	(564,141)	(232,768)
Other (note 7)	671,447	59,247
	3,624,242	1,860,685
Operating expenses		
Depreciation and depletion	1,312,050	2,806,668
Production expenses	1,330,178	1,055,085
General and administrative	635,870	392,544
Interest	270,448	179,593
	3,548,546	4,433,890
Earnings (loss) from operations	75,696	(2,573,205)
Other expenses		
Unsuccessful business takeover	–	133,310
Earnings (loss) before income taxes	75,696	(2,706,515)
Future income tax expense	23,459	–
Net earnings (loss)	52,237	(2,706,515)
Deficit, beginning of year	(2,916,846)	(210,331)
Adjustment to future income tax (note 8)	(128,673)	–
Restated deficit at beginning of year	(3,045,519)	(210,331)
Deficit end of year	$ (2,993,282)	$ (2,916,846)
Earnings (loss) per share (note 6)	$ 0.00	$ (0.10)

STATEMENTS OF CASH FLOW

YEARS ENDED DECEMBER 31	1999	1998
Operating activities		
Net earnings (loss)	$ 52,237	$ (2,706,515)
Adjustments to operations not involving cash		
Future income tax expense	23,459	–
Unsuccessful business takeover	–	133,310
Depreciation and depletion	1,312,050	2,806,668
	1,387,746	233,463
Change in non-cash working capital items		
Accounts receivable	(1,119,438)	301,562
Prepaid expenses	(18,361)	(62,377)
Accounts payable and accrued liabilities	249,449	(747,358)
	(888,350)	(508,173)
	499,396	(274,710)
Investing activities		
Acquisition of production equipment	(1,593,350)	(1,563,721)
Acquisition of resource properties	(1,563,429)	(1,978,197)
Acquisition of capital assets	(68,388)	(100,847)
Unsuccessful business takeover	–	(133,310)
Proceeds on disposal of resource properties (note 4)	1,200,484	187,888
	(2,024,683)	(3,588,187)
Financing activities		
Issue of flow-through shares	1,171,640	–
Proceeds of long term debt	615,272	2,539,669
Share issue costs	(261,625)	(42,365)
Tax effect on flow through shares	–	(909,756)
	1,525,287	1,587,548
Net change in cash	–	(2,275,349)
Cash, beginning of year	–	2,275,349
Cash, end of year	$ –	$ –

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

1. ACCOUNTING POLICIES

Property, Plant and Equipment

Petroleum and Natural Gas Properties and Production Equipment

The Company follows the full-cost method of accounting for oil and gas activities whereby all costs associated with the acquisition of; the exploration for, and the development of oil and gas reserves are capitalized. Such costs include lease acquisition costs, geological and geophysical expenditures, and lease rentals on non-producing properties, costs of drilling both productive and non-productive wells, equipment costs, and general and administrative costs directly related to the exploration and development activities. Other general and administrative costs and interest charges are expensed. The carrying value is limited by a ceiling test calculation to a recoverable amount as determined by estimating the current value of future net revenue from proven properties based on current prices, costs and the value of unproven properties at the lower of cost or net realizable value.

Amortization of these costs is calculated on the unit of production method based on estimated proven reserves as determined by independent engineers. For purposes of depreciation and depletion calculations, oil and gas reserves are converted to a common unit of measure on the basis of their relative energy content. The costs of significant unevaluated properties are excluded from the depletion and depreciation base.

Proceeds from disposals of properties are normally applied as a reduction of the costs of the remaining assets unless the disposal represents a significant portion of the Company's total reserves, in which case a gain or loss on disposal is recorded.

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

Other Fixed Assets

These assets are recorded at cost. Depreciation is provided annually at rates calculated to write-off the assets over their estimated useful lives as follows:

Furniture and fixtures	- 20% declining balance
Vehicles	- 30% declining balance
Leasehold improvements	- 5 years straight-line
Computer equipment	- 30% declining balance
Computer software	- 50% straight-line

Acquisitions during the period are depreciated at one-half the normal rate.

Future Site Restoration and Abandonment

The Company estimates its future site restoration and abandonment costs for its petroleum and natural gas wells. The costs are management's best estimate of the future site restoration and abandonment costs based on current legislation and industry practice. Total estimated costs are being provided for an on unit of production basis. The annual provision is included in depreciation and depletion and actual site restoration and abandonment costs are charged to the provision account as incurred.

Flow-through Shares

The resource expenditure deductions related to exploration and development activities, funded by flow-through share arrangements, are renounced to investors in accordance with current tax legislation. Share capital is reduced by the estimated future income tax cost of the renounced deductions as the expenditures are incurred.

Change in Accounting Policy

In the fourth quarter of 1999, the Company changed its policy for accounting for income taxes. The provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants were adopted effective January 1, 1999. The provisions were applied retroactively without restatement of prior period financial statements. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

Measurement Uncertainty

The amounts recorded for depreciation of property, plant and equipment and the provision for future site restoration costs are based on estimates. The ceiling test calculation is based on estimates of proven reserves, production rates, oil and natural gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect of any changes in such estimates on the financial statements of future periods could be material.

2. COMPARATIVE FIGURES

Certain of the comparative figures for 1998 have been reclassified to conform to the 1999 financial statement presentation.

3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Included in accounts receivable is $1,004,049 for insurance claims receivable. This amount pertains to the repair of the Sibbald Battery oil-treating module. Also included is an amount of $42,378 for business interruption related to the Sibbald battery. Accounts payable includes $1,001,669 related to the cost of repairing the Sibbald battery. (See notes 4 and 7)

4. PROPERTY, PLANT AND EQUIPMENT

December 31		1999		1998
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture, fixtures and equipment	$ 369,652	$ 206,554	$ 163,098	$ 154,284
Leasehold improvements	71,732	34,092	37,640	53,444
Petroleum and natural gas properties	8,099,768	2,666,491	5,433,277	4,565,700
Production equipment	4,377,622	1,670,080	2,707,542	2,776,830
	$ 12,918,774	$ 4,577,217	$ 8,341,557	$ 7,550,258

As at December 31, 1999, costs of $1,276,911 (1998 - $1,278,263) for unproven properties have been excluded from the depletion calculation. The provision for future site restoration costs is recorded in the statement of earnings (loss) and deficit as a component of depreciation and depletion and on the balance sheet as a long-term liability. At December 31, 1999 the remaining estimated future site restoration costs to be accrued over the life of the proven reserves are $414,607 (1998 - $427,367).

Under the full cost method of accounting a ceiling test is required. The ceiling test calculation at December 31, 1999 used the Company's year-end selling price of $31.62 per barrel for oil and $2.34 per mcf for gas. A ceiling test write-down was not required for 1999 (1998 - $1,274,342).

On July 26, 1999, an explosion and fire at the Sibbald Battery damaged the oil-treating module. Production was thus suspended for the period July 26, 1999 to December 4, 1999 while repairs were carried out. Insurance covered both the business interruption and physical damage related to this incident. The cost of repairs was treated as an addition and the insurance proceeds as a disposal of production equipment for accounting purposes. Thus proceeds on disposal of resource properties include $1,199,315 of insurance claims with an offsetting addition to production equipment.

5. LONG TERM DEBT

The Corporation has a $3,425,000 revolving production loan facility with the Alberta Treasury Branch. Interest is calculated on the daily outstanding principal amount at prime plus 0.75% per annum, with interest payable monthly. The facility is secured by a $5,000,000 demand debenture providing a floating charge on the Corporation's assets, a general security agreement, and a fixed charge against certain properties located at Gilby, Knopcik and Lloydminster. While the revolving production loan facility is of a demand nature, the bank has stated it is not their present intention to demand repayment nor do they have information that would lead them to anticipate that the loan would be demanded before January 1, 2001. Accordingly, the loan is classified as long term.

The Corporation has a $917,444 variable rate term loan facility with the Alberta Treasury Branch. Interest is calculated at prime plus 1.50% per annum. The loan is payable over a sixty month term, with a blended payment of $20,330 payable on the last day of each month until June 30, 2004. The Sibbald Battery secures this facility.

Estimated minimum principal repayments are as follows:

2000	$ 176,195
2001	195,566
2002	209,730
2003	227,431
2004	108,522
	$ 917,444

6. SHARE CAPITAL

Authorized: Unlimited number of common shares

Preferred non-voting shares issuable in series with designation, rights, privileges, restrictions and conditions to be fixed by the Board of Directors before issue of preferred shares.

Issued and outstanding **Common Shares**	Number of Common Shares	Amount
Balance December 31, 1997	23,520,469	$ 3,774,811
Shares issued for special warrants	1,100,000	715,000
Shares issued for flow through warrants	4,700,000	3,290,000
Warrant issue costs		(333,571)
Tax effect on flow through warrants	–	(1,100,834)
Share issue costs	–	(42,365)
December 31, 1998	29,320,469	6,303,041
Issue of flow through shares	3,682,208	1,171,640
Tax benefits on share issue costs	–	76,185
Tax benefits renounced	–	(39,934)
Share issue costs	–	(261,625)
December 31, 1999	33,002,677	$ 7,249,307

Shares Issued

On November 18, 1997, the Company received $4,005,000 pursuant to the issue of 1,100,000 Special Warrants and 4,700,000 flow through warrants. On March 27, 1998, all of these warrants were converted to common shares.

On July 13, 1999, the Company issued 333,333 flow through common shares at a price of $0.30. As at December 31, 1999, the Company has renounced all of these resource expenditures.

The Company issued 3,348,875 flow through common shares at a price of $0.32. Pursuant to flow-through share agreements dated December 10, 1999 and December 21, 1999, the Company committed to renounce resource expenditures of $1,071,640.

Stock Options

During 1999, options to purchase a total of 1,015,380 Common Shares were granted pursuant to an incentive stock option plan at exercise prices ranging from $0.20 to $0.30 per share and expiring on various dates from March 2004 to December 21, 2004.

Under this incentive stock option plan the Company has granted a total of 3,265,380 stock options to directors, officers and consultants of the Company. The stock options are exercisable at prices ranging from $0.20 to $0.65 and will expire at various times until December 21, 2004. The Company has reserved 3,265,380 common shares under the stock option plan.

The Company also granted to the Agent of a Flow Through Share offering, a non-transferable option to purchase up to 133,955 Common Shares, at a price of $0.32 per share expiring 12 months from the closing of the offering. A portion will expire on December 10, 2000 and the remainder will expire December 21, 2000.

Common Share Amounts

The calculation of net earnings (loss) per share is based on the weighted average number of common shares outstanding during the year ended December 31,1999 of 29,691,667 (1998 - 27,954,088).

7. OTHER

Other income includes an amount of $651,770 for business interruption insurance. This pertains to the Sibbald Battery. The business interruption claim was for the period July 26, 1999 to December 4, 1999 net of a ten-day deductible period. (See note 4).

8. FUTURE INCOME TAXES

The Company changed its method of accounting for income taxes at January 1, 1999. The provisions were applied retroactively without restatement of prior period financial statements. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized. The provisions were applied retroactively without restatement of prior period financial statements.

The Company's future income tax liability for the years ended December 31 consists of the following:

Future income tax liabilities	**1999**	1998
Property, plant and equipment	$ **163,000**	$ 192,398
Loss carry forward	–	(63,222)
Share issue costs	**(143,662)**	(94,865)
Other	**(564)**	(565)
Resource allowance adjustments	**97,107**	94,927
Future tax liability	$ **115,881**	$ 128,673

Reconciliation of Company's effective income tax rate follows:

Federal income tax rate	**38.00%**	38.00%
Federal abatement	**(10.00)%**	(10.00)%
Surtax	**1.12%**	1.12%
	29.12%	29.12%

Provincial tax has been offset by Attributed Canadian Royalty Income (ACRI) carry forward.

The Company has approximately $8,196,000 of income tax pools and tax deductions available to offset future taxable earnings.

9. RELATED PARTY TRANSACTIONS

During the year, certain directors and officers were paid $410,594 (1998 -$320,473) for consulting fees. During the year, legal fees of $106,270 (1998 - $77,741) were paid to a legal firm in which a director is an active partner.

10. LEASE COMMITMENT

On September 30, 1998, the Company entered into a lease agreement for office premises ending on January 31, 2003. The minimum lease payments required under the lease are as follows:

2000	$ 69,566
2001	72,151
2002	72,366
2003	6,030
	$ 220,113

11. FINANCIAL INSTRUMENTS

The Company's financial instruments that are included in the balance sheet are comprised of accounts receivable, accounts payable, and long-term debt.

The fair value of financial instruments that is included in the balance sheet, including long-term debt, approximate their carrying amount due to the short-term maturity of those instruments and the floating prime rate applied to the long-term debt.

Virtually all of the Company's accounts receivable are with customers in the oil and gas industry and are subject to normal industry credit risks.

As at December 31, 1999 the increase or decrease in net earnings for each one percent change in the interest rate on the floating rate debt amounts to $31,500.

12. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 Issue arises as many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems, which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 Issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.

FOUR YEAR REVIEW

	1999	1998	1997	1996
FINANCIAL				
Petroleum and Natural Gas Revenue	**$ 3,624,242**	$ 1,860,685	$ 1,329,295	$ 746,947
Cash Flow from Operations	**1,387,746**	233,463	294,295	202,211
Cash Flow per share	**0.05**	0.01	0.01	0.01
Net Earnings	**52,237**	(2,706,515)	(189,651)	(15,804)
Net Earnings per Share	**0.00**	(0.10)	(0.01)	(0.00)
Capital Expenditures	**2,024,683**	3,588,187	4,566,642	2,271,264
Total Assets	**9,998,063**	8,068,965	9,863,311	4,570,673
Total Debt	**3,154,941**	2,539,669	–	–
Shareholders' Equity	**4,256,025**	3,386,195	7,044,831	4,098,796
Common Shares Outstanding				
End of Period	**33,002,677**	29,320,469	23,520,469	23,520,469
Weighted Average	**29,691,667**	27,954,088	23,520,469	15,297,796
Fully Diluted	**36,402,002**	31,570,469	35,737,136	28,587,136
OPERATIONS				
Daily Average Production				
Crude Oil and NGLs (Bbls per day)	**398**	243	153	69
Natural Gas (Mcf per day)	**1,453**	1,388	743	411
Total (BOE per day)	**543**	382	227	110
Finding & Development Cost	**$ 5.45**	$ 8.04	$ 5.06	$ 4.05
Funds Per BOE	**$ 7.66**	$ 1.25	$ 3.32	$ 4.99
DD&A Per BOE	**$ 6.62**	$ 20.13	$ 5.82	$ 5.42
Average Selling Price				
Crude Oil and NGLs ($ per Bbl)	**22.84**	10.94	17.02	23.93
Natural Gas ($ per Mcf)	**2.42**	2.06	1.87	1.43
Proven Plus 50% Probable Reserves				
Crude Oil and NGLs (Bbls)	**1,185,400**	885,800	1,194,400	375,300
Natural Gas (MMcf)	**2,091.6**	2,957.5	2,422.1	2,414.1
Total (BOE)	**1,394,560**	1,181,550	1,436,610	616,710
Present Value of Reserves				
Discounted before Taxes at 15 percent	**$ 9,205,600**	$ 6,553,500	$ 6,419,300	$ 3,852,700
Discounted before Taxes at 10 percent	**$ 10,461,100**	$ 7,585,400	$ 7,563,900	$ 4,499,800
Reserve Life Index (years)	**5.21**	5.65	5.23	5.80

MANAGEMENT AND DIRECTORS

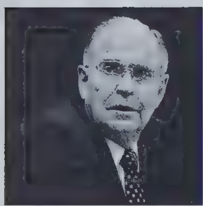
Richard N. Edgar, B.Sc., P.Geol., *President and Chief Executive Officer*
Mr. Edgar graduated from the University of Alberta at Edmonton in 1972 and spent his early career working in western Canada and internationally for major exploration companies. He has also held instrumental positions with junior and intermediate companies, most notably as Vice President, Exploration for Chauvco Resources Limited and Vice President and Director for Harbour Petroleum Company Limited.

Bruce G. Edgar, B.Sc., P.Geol. , *Vice President, Exploration*
Mr. Edgar is also a graduate of University of Alberta at Edmonton and since 1977 has worked at a number of large and intermediate companies where he has gathered extensive experience, primarily in western Canada but also in South and Central Americas.

William E. Patterson, B.A., C.A., *Vice President, Finance and Chief Financial Officer*
A graduate from the University of Calgary in 1968, Mr. Patterson obtained his Chartered Accountancy designation in 1973. His career has taken him through various roles with a major bank, Revenue Canada and as a taxation specialist for a multi-national corporation and a major accounting firm.

Peter J. Pelensky, P.Eng, *Vice President, Engineering*
Mr. Pelensky graduated from the University of Wyoming in 1981 with a degree in Petroleum Engineering. Since that time, he has held various management and senior engineering positions with medium and intermediate oil and gas companies operating in Canada and internationally. He is a member of APEGGA and SPE.

R. Graeme Dales, B.A., M.Sc., *Director*
Mr. Dales has held a number of geologist, exploration manager and vice president of exploration roles for small, entrepreneurial oil and gas companies through a 21 year career.



Francis. E. Lefaivre, *Director*
For 26 years until his retirement in 1977, Mr. Lefaivre was with Shell Canada Limited and from 1963 to 1977 was responsible for gas liquids marketing, trading and transportation. He has been President of Lefaivre Resources Limited, a private oil and gas company since 1977.

R. Gregory Powers, Q.C., *Director*
A partner in the Donahue Powers Wells law firm since 1993, Mr. Powers has specialized in corporate finance, securities and acquisitions and served the oil and gas industry exclusively since 1970.

Morton H. Wyne, *Director*
Mr. Wyne is Chief Executive Officer of Financial Management Inc., a private insurance brokerage corporation.

ENERGY NORTH INC.

WHY ENI?

- Leading edge technology in prospect development
- Strong financial stewardship
- Committed and experienced management
- Solid foundation to expand the asset base
- Large inventory of exploration and development prospects for both oil and natural gas

MISSION STATEMENT

Energy North has developed a corporate strategy that we have presented to shareholders in each of our last two annual reports. We continue to adhere to these strategies because we believe that they will enhance shareholder value by creating growth opportunities. Our strategies remain the cornerstone of our approach to the business:

- Grow through drilling
- Concentration on technology-driven, moderate risk projects
- Focus on specific play types
- High priority placed on rapid cash flow generation
- Management of financial risk through appropriate working interests
- Balance of low risk development plays with high impact exploration prospects
- Participate in acquisitions when we develop suitable opportunities

1999 AREAS OF ACTIVITY

For further information please contact:
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Bruce G. Edgar, Vice President, Exploration
William E. Patterson, Vice President, Finance & CFO
Peter J. Pelensky, Vice President, Engineering

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CORPORATE INFORMATION

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President, CEO & Director

R. Graeme Dales
Secretary & Director

Francis E. Lefaivre
Director

R. Greg Powers, QC*
Director

Morton H. Wyne*
Director

OFFICERS

Richard N. Edgar
President & CEO

Bruce G. Edgar
Vice President, Exploration

William E. Patterson, CA
Vice President, Finance, & CFO

Peter J. Pelensky, P.Eng
Vice President, Engineering

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* member of Audit Committee

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BANK

Alberta Treasury Branch

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STOCK EXCHANGE LISTING

Canadian Venture Exchange
Trading Symbol ENI

Abbreviations

ARTC	Alberta Royalty Tax Credit
BOE	barrel of oil equivalent (1 BOE = 10 Mcf)
BOE/d	barrels of oil equivalent per day
MBOE	thousand barrels of oil equivalent
Bbl	barrel
Bbls	barrels
Bbls/d	barrels per day
MBbls	thousand of barrels
Mmbbls	millions of barrels
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MMcf	million cubic feet
MMcf/d	million cubic feet per day
NGLs	natural gas liquids

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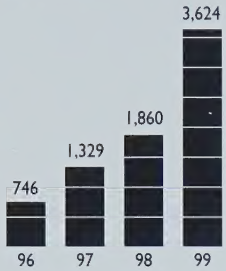
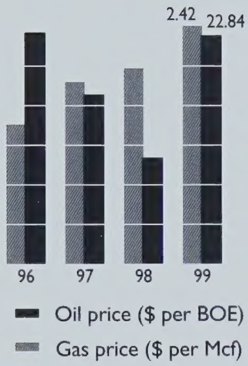
Printed in Canada

ENERGY NORTH INC.

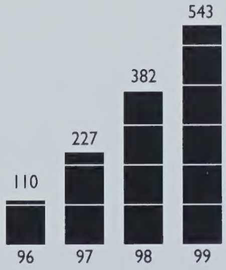
Net Revenue
$ thousands



Pricing

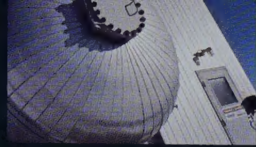


Production Profile
Average BOE/d



	1999	1998	% Change
FINANCIAL			
Petroleum and Natural Gas Revenue	**$ 3,624,242**	$ 1,860,685	95
Cash Flow from Operations	**1,387,746**	233,463	494
Cash Flow per share	**0.05**	0.01	400
Net Earnings	**52,237**	(2,706,515)	–
Net Earnings per Share	**0.00**	(0.10)	–
Capital Expenditures	**2,024,683**	3,588,187	(44)
Total Debt	**3,154,941**	2,539,669	24
Shareholder's Equity	**4,256,025**	3,386,195	26
Common Shares Outstanding (weighted average)	**29,691,667**	27,954,088	6
OPERATIONS			
Daily Average Production			
Crude Oil and NGLs (Bbls per day)	**398**	243	64
Natural Gas (Mcf per day)	**1,453**	1,388	5
Total BOE per day	**543**	382	42
Average Selling Price			
Crude Oil and NGLs ($ per Bbl)	**22.84**	10.94	109
Natural Gas ($ per Mcf)	**2.42**	2.06	17
Proven Plus 50% Probable Reserves			
Crude Oil and NGLs (Bbls)	**1,185,400**	885,800	34
Natural Gas (MMcf)	**2,091.6**	2,957.5	(29)
Total BOE	**1,394,560**	1,181,550	18
Present Value of Reserves (before taxes, discounted 10%)	**$ 10,461,100**	$ 7,585,400	38

All financial and production statistics throughout this report include equivalent volumes of 109 Boe per day from proceeds of Business Interruption Insurance.



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